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SUBJECT: SAN DIEGO/BAJA MISSION ADVOCATES FOR BORDER DEVELOPMENT

REF: TIJUANA 115

Introduction and Summary

¶1. (U) The San Diego/Baja California Mission to Mexico, sponsored by the Mexico Business Center and the San Diego Regional Chamber of Commerce, met Mexican government officials and analysts during their third annual visit, including Mexican President Calderon; Economy Secretary Eduardo Sojo Guillermo Ortiz, Mexican Central Bank

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Governor; Luz Maria de la Mora, Undersecretary for International Economic Relations at the Secretariat of Foreign Relations; Humberto Trevino, Undersecretary of Transportation at the Secretariat of Communications and Transportation(SCT).

¶2. (SBU) Mission members pressed Mexican officials to support a proposed cross border terminal at Tijuana International airport and to improve port and rail infrastructure to increase cargo transit capabilities in the region. They discussed health tourism promotion and the possibility of Medicare acceptance in Mexico. The delegation suggested the GOM work to increase efficiencies and decrease wait times at the San Diego/Tijuana area border crossings. Bank of Mexico Governor Ortiz told the group Mexico would weather a U.S. economic slowdown better than it had during the 2001 downturn. The mission was receptive to the advice and comments by Mexican officials. End Introduction and Summary.

Tijuana Cross Border Terminal

¶3. (U) In every meeting with Mexican officials the delegation lobbied for constructing a cross border terminal to serve Tijuana International Airport. They argued that San Diego International Airport cannot keep pace with demand while Tijuana airport is becoming a significant transit hub featuring a flight to Tokyo and later this year to Shanghai. They noted that the concept of cross border terminals exists at the Geneva International Airport on the border between France and Switzerland.

¶3. (U) Delegation member Christian Checa Levien, Chairman of the Mexican Airport Control Board and Baja California mission delegate, announced that his group, along with other investors, had acquired land on the Mexican side of the border to prepare for the building of the cross border terminal. In meetings with SCT, he suggested to members of the San Diego group that U.S. shareholders do the same on their side of the border as land is at a premium and could be unavailable when construction time arrives, increasing the cost for the project.

¶4. (U) In the meeting with Mexican and U.S. customs officials, the group presented the project and asked whether or not it was feasible. Fernandez Wilburn, International Affairs Administrator for Mexican Customs (Aduanas), said that Aduanas would be willing to review any proposal for a cross border terminal and would decide, jointly with CBP, the feasibility and requirements for such a facility. Embassy Mexico's Deputy CBP Attache agreed that CBP would be willing to consider any proposal presented.

¶5. (U) Newly appointed SCT Undersecretary for Transportation, Humberto Trevino, said he supported a cross border terminal and pressed the group for a development timeline. When asked by the customs officials about details of the terminal, such as whether it would be a full service terminal or only a passenger bridge and whether it would be funded with public or private sources, San Diego members of the delegation explained that they did not have details yet but were willing to work with the two governments to find the easiest, most efficient plan. They said that they could present a draft proposal by April 18 for review by both federal governments. As of COB April 18, the proposal had not yet been received.

¶6. (SBU) Comment: The Tijuana Cross Border Terminal appears to be in the early planning stage. In order to move forward with this project, the backers from both sides of the border will have to better organize and present detailed proposals to both federal governments. That being said, as Tijuana International continues to increase routes (specifically trans-Pacific) while San Diego reaches saturation, expect the Cross Border Terminal to be a recurring talking point with stakeholders from the region. End Comment.

Punta Colonet/Improving Ensenada Rail Corridor

¶7. (U) The delegation also raised increasing rail traffic capabilities and interconnectivity in the region. U/S Trevino noted that the Punta Colonet intermodal project was going forward. The

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Punta Colonet project is a joint plan between the Mexican federal government and the government of the state of Baja California to build an intermodal port to accommodate the ever-increasing trade in transit from Asia to the United States. Plans consist of a shipping port to be built in Punta Colonet, 50 miles south of Ensenada, Mexico with a rail connection leading from the port to the U.S. and linking to existing U.S. rail routes. The project has been estimated to cost anywhere from USD 4 and 9 billion and is included in President Calderon's National Infrastructure Plan. U/S Trevino said that he expected the project to be tendered and licensed in September. He also said that the winning concessionaire would decide the crossing's location and complete the presidential permit process with support from SCT.

¶8. (U) Representatives of the region's cross border railway company explained to Trevino that Punta Colonet was a long-term project that will not likely be completed until 2018. They suggested that there were ways to make short- to mid-term improvements at the Ensenada port to take advantage of Baja California's natural logistic advantages. While they conceded that Punta Colonet will no doubt improve upon Baja California's logistic benefits, they suggested the GOM look to improving current infrastructure in the near term.

¶9. (SBU) Comment: Trevino and other officials from SCT are overly optimistic about Punta Colonet. Their announcement that the tender would go forward without a location selected for the border crossing, let alone the necessary permits, suggests that they are putting off some of the major problems inherent in the project until after the government chooses a private sector partner. Comments by the delegation reflect that the region's private sector feels, and rightly so, that the GOM is neglecting quick and easy fixes in favor of their pet project. End Comment.

Health Tourism and Medicare

¶10. (SBU) Delegation member Flavio Olivieri, representative of the

Tijuana Chamber of Commerce and the Tijuana Health Tourism Cluster, brought up the booming health tourism industry, and asked for the GOM's assistance in getting Mexican medical centers approved to receive Medicare payments. As previously reported, (reftel) the Ensenada corridor is home to an increasing number of retired baby boomers. Olivieri explained, though did not provide data to confirm, that more U.S. citizens are retiring to Mexico and cannot afford to return to the U.S. for health care. He noted that, because Mexican health care is cheaper and Mexico does not suffer the nursing shortage the U.S. does, it would be beneficial to allow U.S. citizens in Mexico to use Medicare. Though Olivieri brought up the issue at numerous meetings, the common reaction from the GOM officials was that they would look into the issue but could not provide any guarantees. GOM interlocutors suggested that he would be better served encouraging the U.S. citizen consumers of Medicare to lobby the USG. Comment: Extending Medicare benefits to Mexico remains a common request from Mexican officials, including local developers and Finance Minister Carstens, who has asked the Ambassador and U.S. Treasury officials to help get to authorize payments for services in Mexico. End Comment.

Meeting with Secretariat of the Economy

¶11. (U) The Secretariat of Economy (Economia) sponsored a working meeting headed by Chief of Staff, Alberto Ortega. In line with previous discussions by the Joint Border Facilitation Working Group (BFWG), of which Ortega is a key GOM member, he told the group that they need to focus on short to medium term ideas. He announced that the GOM had undertaken a study of bottlenecks in the border region and would share a copy of the study at the Leader's Meeting in New Orleans. He suggested that the San Diego/Baja California group discuss and publish any of their own findings to be presented to the two federal governments. He also said that the group needed clear leadership and sub-groups and should try not to get bogged down in "bureaucracy." Mexican Consul General in San Diego, Remedios Gomez Arnau suggested that the border liaison mechanism could be used to channel proposals so as better take advantage of current binational communication methods and decrease the likelihood of any new bureaucratic hurdles. Ortega also encouraged the group to feed proposals to the BFWG. He explained that the group is the best way to reach all pertinent agencies in the U.S. and Mexico. He further explained the organization of the group and listed the participating agencies.

¶12. (U) Speaking on behalf of the joint mission, Cesar Alejandro Monraz Sustaita, Federal Delegates of the Economy Secretariat for the State of Baja California, said that the delegation had a list of

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17 issues to be resolved by either or both federal governments. Some of the issues mentioned included the possibility of an enhanced ID for use between California and Baja California, a push for land acquisition on the U.S. side of the border to increase the capacity of border crossings, and increased double stacking (two simultaneous inspection booths per lane) at ports of entry under construction to better handle traffic.

¶13. (SBU) Despite the BFWG visiting San Diego last year and meeting with the San Diego Chamber of Commerce, the members of the mission seemed unaware that a key purpose of the group was to engage the private sector in finding solutions to decrease border waits and increase crossing efficiencies. Now that they have been made aware, members of the group were optimistic that they have interlocutors in both federal governments who will be receptive to their ideas.

Mexican Economy and U.S. Recession

¶14. (U) While the visit focused on advocating for border improvements, the mission also had an opportunity to meet with both Guillermo Ortiz, Governor of the Bank of Mexico and Juan Pedro Trevino, Chief Economist at HSBC Mexico. Trevino predicts the U.S. will experience a recession through 2009. As a result, he said that Mexico's growth will decrease in 2008 further slow in 2009, though he did not predict a Mexican recession. He expects inflation in

Mexico to be above 3% until 2009 as well. He cited various Mexican strategies for improving economic performance as a reason for the optimistic outlook, namely a 10% increase in real budget spending over 2007, the National Infrastructure Fund, and USD 7.2 billion worth of programs to support the economy. He said that, ultimately, six issues will affect the Mexican economy in the near term:

- The size and length of the U.S. slowdown
- Less restrictive monetary policy by the U.S. Federal Reserve
- The level and volatility of oil prices and production
- Supply side inflationary shocks
- More restrictive Mexican Central Bank monetary policy
- Delays in structural reforms

¶15. (U) Ortiz, for his part, would not give a prediction for the Mexican economy, however he did express optimism. He said that this recession would not be as bad for Mexico as the recession of 2001 because Mexico was less stable and the recession hit U.S. manufacturing at the same time that competitor nation China joined the WTO. This time, he said that Mexico has stronger indicators, U.S. manufacturing is stable, and the weak dollar makes Mexican and U.S. goods cheaper abroad. He expects inflation overall to remain high through 2008 and 2009.

¶16. (U) Ortiz suggested that Bank of Mexico policy and U.S. Federal Reserve policy during this time would likely differ because Mexico is not currently experiencing the same crisis as the U.S. He said that the U.S. is decreasing interest rates because of the housing crisis, but the Bank of Mexico plans to keep rates steady or even raise them. He reiterated that Mexico needs to be aware of inflation and be prepared to do what is needed to stem it.

Conclusion and Comment

¶17. (SBU) The group met with a wide array of important decision makers in the GOM and a key group of attendees managed to meet with President Calderon. The tone of the GOM representatives across the board was that they were receptive to issues raised by the private sector, but required organized, detailed, written proposals in order to advocate for them. The points presented to the Economy Secretariat were a first step towards better organizing the San

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Diego-Baja California area stakeholders and, if they incorporate the advice given, they will likely become better advocates for their region.

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